



General Assembly

Substitute Bill No. 6130

January Session, 2001

***AN ACT CONCERNING THE CONNECTICUT UNIFORM SECURITIES
ACT AND NOTICES ISSUED BY THE DEPARTMENT OF BANKING.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subdivision (5) of section 36b-3 of the general statutes is
2 repealed and the following is substituted in lieu thereof:

3 (5) "Broker-dealer" means any person engaged in the business of
4 effecting transactions in securities for the account of others or for [his]
5 such person's own account. "Broker-dealer" does not include (A) an
6 agent, (B) an issuer, (C) [a bank and trust company, a national banking
7 association, a savings bank, a savings and loan association, a federal
8 savings and loan association, a credit union, a federal credit union, or a
9 trust company] a bank, as defined in Section 3(a)(6) of the Securities
10 Exchange Act of 1934, when conducting activities that would except it
11 from the definitions of "broker" or "dealer" under Sections 3(a)(4) or
12 3(a)(5) of the Securities Exchange Act of 1934, (D) a person who has no
13 place of business in this state if [he] such person effects transactions in
14 this state exclusively with or through (i) the issuers of the securities
15 involved in the transactions, (ii) other broker-dealers, or (iii) a bank
16 and trust company, a national banking association, a savings bank, a
17 savings and loan association, a federal savings and loan association, a
18 credit union, a federal credit union, a trust company, an insurance
19 company, an investment company as defined in the Investment
20 Company Act of 1940, a pension or profit-sharing trust, or other

21 financial institution or institutional buyer, whether acting for itself or
22 as trustee, or (E) such other persons not within the intent of this
23 subdivision as the commissioner may by regulation or order
24 determine.

25 Sec. 2. Subdivision (10) of section 36b-3 of the general statutes is
26 repealed and the following is substituted in lieu thereof:

27 (10) "Investment adviser" means any person who, for compensation,
28 engages in the business of advising others, either directly or through
29 publications or writings, as to the value of securities or as to the
30 advisability of investing in, purchasing or selling securities, or who, for
31 compensation and as a part of a regular business, issues or
32 promulgates analyses or reports concerning securities. "Investment
33 adviser" does not include (A) an investment [advisor] adviser agent;
34 (B) [a bank and trust company, a national banking association, a
35 savings bank, a savings and loan association, a federal savings and
36 loan association, a credit union, a federal credit union or a trust
37 company] a bank, as defined in Section 202(a)(2) of the Investment
38 Advisers Act of 1940, or a bank holding company, as defined in the
39 Bank Holding Company Act of 1956, that is excepted from the
40 definition of "investment adviser" in Section 202(a)(11) of the
41 Investment Advisers Act of 1940; (C) a lawyer, accountant, engineer, or
42 teacher whose performance of these services is solely incidental to the
43 practice of [his] such person's profession; (D) a broker-dealer whose
44 performance of these services is solely incidental to the conduct of [his]
45 such person's business as a broker-dealer and who receives no special
46 compensation for them; (E) a publisher of any bona fide newspaper,
47 news magazine, or business or financial publication of general, regular,
48 and paid circulation; (F) a person whose advice, analyses or reports
49 relate only to securities exempted by subdivision (1) of subsection (a)
50 of section 36b-21; (G) any insurance company under the supervision of
51 the Insurance Commissioner or any affiliate thereof, as defined in
52 subsection (b) of section 38a-129, when providing services to separate
53 accounts of that insurance company or registered investment
54 companies all of whose shares are owned by such insurance company

55 or its insurance company affiliates or by the separate accounts of that
56 insurance company or its insurance company affiliates; and (H) such
57 other persons not within the intent of this subdivision as the
58 commissioner may by regulation or order designate.

59 Sec. 3. Section 36b-6 of the general statutes is repealed and the
60 following is substituted in lieu thereof:

61 (a) No person shall transact business in this state as a broker-dealer
62 unless [he] such person is registered under sections 36b-2 to 36b-33,
63 inclusive, as amended by this act, or exempted pursuant to subsection
64 (f) of this section. No individual shall transact business as an agent in
65 this state unless [he] such individual is (1) registered as an agent of the
66 broker-dealer or issuer whom [he] such individual represents in
67 transacting such business, [or] (2) an associated person who represents
68 a broker-dealer in effecting transactions described in subdivisions (2)
69 and (3) of section 15(h) of the Securities Exchange Act of 1934, or (3)
70 exempted pursuant to subsection (f) of this section.

71 (b) No issuer shall employ an agent unless such agent is registered
72 under sections 36b-2 to 36b-33, inclusive, as amended by this act, or
73 exempted pursuant to subsection (f) of this section. No broker-dealer
74 shall employ an agent unless such agent is (1) registered under
75 sections 36b-2 to 36b-33, inclusive, [or] as amended by this act, (2) an
76 associated person who represents a broker-dealer in effecting
77 transactions described in subdivisions (2) and (3) of section 15(h) of the
78 Securities Exchange Act of 1934, or (3) exempted pursuant to
79 subsection (f) of this section. The registration of an agent is not
80 effective during any period when [he] such agent is not associated
81 with a particular broker-dealer registered under said sections or a
82 particular issuer. When an agent begins or terminates a connection
83 with a broker-dealer or issuer, or begins or terminates those activities
84 which make him or her an agent, both the agent and the broker-dealer
85 or issuer shall promptly notify the commissioner.

86 (c) No person shall transact business as an investment adviser,

87 within or from this state, unless registered as such by the
88 commissioner as provided in sections 36b-2 to 36b-33, inclusive, as
89 amended by this act, or exempted pursuant to subsection (e) or (f) of
90 this section. No individual shall transact business as an investment
91 adviser agent, within or from this state, unless [he] such individual is
92 registered as an investment adviser agent of the investment adviser for
93 whom [he] such individual acts in transacting such business or
94 exempted pursuant to subsection (f) of this section. No investment
95 adviser shall engage an investment adviser agent unless such
96 investment adviser agent is registered under said sections or exempted
97 pursuant to subsection (f) of this section. The registration of an
98 investment adviser agent is not effective during any period when [he]
99 such agent is not associated with a particular investment adviser.
100 When an investment adviser agent begins or terminates a connection
101 with an investment adviser, both the investment adviser agent and the
102 investment adviser shall promptly notify the commissioner. If an
103 investment adviser or investment adviser agent provides such notice,
104 such investment adviser or investment adviser agent shall not be liable
105 for the failure of the other to give such notice.

106 (d) No broker-dealer or investment adviser shall transact business
107 from any place of business located within this state unless that place of
108 business is registered as a branch office with the commissioner
109 pursuant to this subsection, provided an investment adviser that is
110 registered with the Securities and Exchange Commission may, in lieu
111 of filing an application for branch office registration, file a notice with
112 the commissioner for each branch office of the adviser located within
113 this state together with a nonrefundable notice fee of one hundred
114 dollars per branch office. An application for branch office registration
115 shall be made on forms prescribed by the commissioner and shall be
116 filed with the commissioner, together with a nonrefundable
117 application fee of one hundred dollars per branch office. A broker-
118 dealer or investment adviser, other than an investment adviser that is
119 registered with the Securities and Exchange Commission, shall
120 promptly notify the commissioner in writing if such broker-dealer or

121 investment adviser (1) engages a new manager at a branch office in
122 this state, (2) acquires a branch office of another broker-dealer or
123 investment adviser in this state, or (3) relocates a branch office in this
124 state. In the case of a branch office acquisition or relocation, such
125 broker-dealer or investment adviser shall pay to the commissioner a
126 nonrefundable fee of one hundred dollars. An investment adviser that
127 is registered with the Securities and Exchange Commission shall notify
128 the commissioner of an acquisition or relocation of any branch office of
129 the investment adviser in this state in the same manner as and
130 concurrently with the notification of such information to the Securities
131 and Exchange Commission and shall pay to the commissioner a
132 nonrefundable fee of one hundred dollars. Each registrant or applicant
133 for branch office registration, and each investment adviser with a
134 branch office in this state that is registered with the Securities and
135 Exchange Commission, shall pay the actual cost, as determined by the
136 commissioner, of any reasonable investigation or examination made of
137 such registrant, applicant or investment adviser by or on behalf of the
138 commissioner.

139 (e) The following investment advisers are exempted from the
140 registration requirements under subsection (c) of this section: Any
141 investment adviser that (1) is registered or required to be registered
142 under Section 203 of the Investment Advisers Act of 1940; (2) is
143 excepted from the definition of investment adviser under Section
144 202(a)(11) of the Investment Advisers Act of 1940; or (3) has no place of
145 business in this state and, during the preceding twelve months, has
146 had no more than five clients who are residents of this state. Any
147 investment adviser claiming an exemption pursuant to subdivision (1)
148 or (2) of this subsection that is not otherwise excluded under
149 subsection (10) of section 36b-3, as amended by this act, shall first file
150 with the commissioner a notice of exemption together with a consent
151 to service of process as required by subsection (g) of section 36b-33, as
152 amended by this act. The notice of exemption shall contain such
153 information as the commissioner may require and shall be
154 accompanied by a nonrefundable fee of two hundred fifty dollars.

155 Such notice of exemption shall be valid until December thirty-first of
156 the calendar year in which it was first filed and may be renewed
157 annually thereafter upon submission of such information as the
158 commissioner may require together with a nonrefundable fee of one
159 hundred fifty dollars. If any investment adviser that is exempted from
160 registration pursuant to subdivision (1) or (2) of this subsection fails or
161 refuses to pay any fee required by this subsection, the commissioner
162 may require such investment adviser to register pursuant to subsection
163 (c) of this section. For purposes of this subsection, a delay in the
164 payment of a fee or an underpayment of a fee which is promptly
165 remedied shall not constitute a failure or refusal to pay such fee.

166 (f) (1) The commissioner may, as to any person or class of persons
167 subject to the registration requirements of this section, exempt such
168 person or persons, in writing, from such registration requirements,
169 conditionally or unconditionally, on a finding that registration is not
170 necessary or appropriate in the public interest or for the protection of
171 investors. In making such finding, the commissioner shall consider,
172 without limitation, such factors as the extent of the securities
173 transactions to be effected, the nature of the securities products to be
174 offered or sold, the sophistication level of prospective securities
175 purchasers and whether granting exemptive relief is necessary to
176 implement subsection (c) of section 36b-31 encouraging uniformity by
177 the regulatory bodies described therein.

178 (2) Any exemption granted pursuant to subdivision (1) of this
179 subsection may be modified, withdrawn, further conditioned or
180 waived as to conditions, in whole or in part, conditionally or
181 unconditionally, in writing by the commissioner, on a finding that
182 such action is necessary or appropriate in the public interest or for the
183 protection of investors.

184 ~~[(f)]~~ (g) Any broker-dealer or investment adviser ceasing to transact
185 business at any office in this state shall, in addition to providing
186 written notice to the commissioner prior to the termination of business
187 activity at that office, (1) provide written notice to each customer or

188 client serviced by such office at least ten business days prior to the
189 termination of business activity at that office, or (2) demonstrate to the
190 commissioner, in writing, the reasons why such notice to customers or
191 clients cannot be provided within the time prescribed. If the
192 commissioner finds that the broker-dealer or investment adviser
193 cannot provide notice to customers or clients at least ten business days
194 prior to the termination of business activity, the commissioner may
195 exempt the broker-dealer or investment adviser from giving such
196 notice. The commissioner shall act upon a request for such exemption
197 within five business days following ~~[his]~~ the receipt of the written
198 request for such exemption. The notice to customers or clients shall
199 contain the following information: The date and reasons why business
200 activity will terminate at the office; if applicable, a description of the
201 procedure the customer or client may follow to maintain the
202 customer's account at any other office of the broker-dealer or
203 investment adviser; the procedure for transferring the customer's or
204 client's account to another broker-dealer or investment adviser; and
205 the procedure for making delivery to the customer or client of any
206 funds or securities held by the broker-dealer or investment adviser.

207 ~~[(g)]~~ (h) Any broker-dealer or investment adviser ceasing to transact
208 business at any office in this state as a result of executing an agreement
209 and plan of merger or acquisition shall provide written notice to the
210 commissioner and to each customer or client serviced by such office
211 not later than the date such merger or acquisition is completed. The
212 notice provided to each customer or client shall contain the
213 information specified in subsection ~~[(f)]~~ (g) of this section.

214 ~~[(h)]~~ (i) Any broker-dealer or investment adviser ceasing to transact
215 business at any office in this state as a result of the commencement of a
216 bankruptcy proceeding by such broker-dealer or investment adviser or
217 by a creditor or creditors of such broker-dealer or investment adviser
218 shall immediately upon the filing of a petition with the bankruptcy
219 court, provide written notice to the commissioner. The commissioner
220 shall determine the time and manner in which notice shall be provided
221 to each customer or client serviced by such office.

222 Sec. 4. Subdivision (1) of subsection (e) of section 36b-15 of the
223 general statutes is repealed and the following is substituted in lieu
224 thereof:

225 (e) (1) Withdrawal from registration as a broker-dealer, agent,
226 investment adviser or investment adviser agent, or withdrawal of an
227 application for registration as a broker-dealer, agent, investment
228 adviser or investment adviser agent, becomes effective ninety days
229 after receipt of an application to withdraw such registration or a notice
230 of intent to withdraw such application for registration or within such
231 shorter period of time as the commissioner may determine, unless a
232 denial, revocation or suspension proceeding is pending when the
233 application or notice is filed or a proceeding to deny, revoke, [or]
234 suspend or to impose conditions upon the withdrawal is instituted
235 within ninety days after the application or notice is filed. If a
236 proceeding is pending or instituted, withdrawal becomes effective at
237 such time and upon such conditions as the commissioner by order
238 determines. If no proceeding is pending or instituted and withdrawal
239 automatically becomes effective, the commissioner may nevertheless
240 institute a denial, revocation or suspension proceeding under
241 subsection (a) of this section within one year after withdrawal became
242 effective.

243 Sec. 5. Section 36b-27 of the general statutes is repealed and the
244 following is substituted in lieu thereof:

245 (a) Whenever it appears to the commissioner after an investigation
246 that any person or persons have violated, are violating or are about to
247 violate any of the provisions of sections 36b-2 to 36b-33, inclusive, as
248 amended by this act, or any regulation, rule or order adopted or issued
249 under said sections, or that the further sale or offer to sell securities
250 would constitute a violation of said sections or any such regulation,
251 rule or order, or that any person or persons have engaged in a
252 dishonest or unethical practice in the securities or commodities
253 business within the meaning of sections 36b-31-15a to 36b-31-15d,
254 inclusive, of the regulations of Connecticut state agencies, the

255 commissioner may in [his] the commissioner's discretion order the
256 person or persons to cease and desist from the violations of the
257 provisions of said sections or of the regulations, rules or orders
258 thereunder, or from the further sale or offer to sell securities
259 constituting or which would constitute a violation of the provisions of
260 said sections or of the regulations, rules or orders thereunder, or from
261 further engaging in such dishonest or unethical practice. After such an
262 order is issued, the person or persons named therein may, within
263 fourteen days after receipt of the order, file a written request for a
264 hearing. Said hearing shall be held in accordance with the provisions
265 of chapter 54.

266 (b) Whenever it appears to the commissioner, after an investigation,
267 that any person or persons have violated any of the provisions of
268 sections 36b-2 to 36b-33, inclusive, as amended by this act, or any
269 regulation, rule or order adopted or issued under said sections, or that
270 the further sale or offer to sell securities would constitute a violation of
271 said sections or any such regulation, rule or order, or that such person
272 or persons have engaged in a dishonest or unethical practice in the
273 securities or commodities business within the meaning of sections 36b-
274 31-15a to 36b-31-15d, inclusive, of the regulations of Connecticut state
275 agencies, the commissioner may, in addition to any other remedy
276 under this section, (1) order the person or persons to make restitution
277 of any sums shown to have been obtained in violation of any of the
278 provisions of said sections or any such regulation, rule or order or as a
279 result of such dishonest or unethical practice plus interest at the legal
280 rate set forth in section 37-1, and (2) order the person or persons to
281 provide disgorgement of any sums shown to have been obtained in
282 violation of any of the provisions of said sections or any such
283 regulation, rule or order or as a result of such dishonest or unethical
284 practice. After such an order is issued, the person or persons named
285 therein may, within fourteen days after receipt of the order, file a
286 written request for a hearing. Said hearing shall be held in accordance
287 with the provisions of chapter 54.

288 (c) The commissioner, in the commissioner's discretion, may order

289 any person who directly or indirectly controls a person liable under
290 subsection (b) of this section to make restitution or to provide
291 disgorgement of any sums shown to have been obtained as a result of a
292 dishonest or unethical practice or in violation of any of the provisions
293 of sections 36b-2 to 36b-33, inclusive, as amended by this act, or any
294 regulation, rule or order adopted or issued under said sections. Such
295 controlling person shall be liable jointly and severally with and to the
296 same extent as the person liable under subsection (b) of this section,
297 unless such controlling person allegedly liable under this subsection
298 sustains the burden of proof that such person did not know, and in the
299 exercise of reasonable care could not have known, of the existence of
300 facts by reason of which the liability is alleged to exist. After such an
301 order is issued, the person or persons named therein may, within
302 fourteen days after receipt of the order, file a written request for a
303 hearing. Said hearing shall be held in accordance with the provisions
304 of chapter 54. There shall be contribution as in cases of contract among
305 the several persons so liable under this subsection.

306 (d) (1) Whenever the commissioner finds as the result of an
307 investigation that any person or persons have violated any of the
308 provisions of sections 36b-2 to 36b-33, inclusive, as amended by this
309 act, or any regulation, rule or order adopted or issued under said
310 sections, the commissioner may send a notice to such person or
311 persons by registered mail, return receipt requested, or by any express
312 delivery carrier that provides a dated delivery receipt. Any such notice
313 shall include: (A) A reference to the title, chapter, regulation, rule or
314 order alleged to have been violated; (B) a short and plain statement of
315 the matter asserted or charged; (C) the maximum fine that may be
316 imposed for such violation; and (D) the time and place for the hearing.
317 Such hearing shall be fixed for a date not earlier than fourteen days
318 after the notice is mailed.

319 (2) The commissioner shall hold a hearing upon the charges made
320 unless such person or persons fail to appear at the hearing. Said
321 hearing shall be held in accordance with the provisions of chapter 54.
322 After the hearing if the commissioner finds that the person or persons

323 have violated any of the provisions of sections 36b-2 to 36b-33,
324 inclusive, as amended by this act, or any regulation, rule or order
325 adopted or issued under said sections, the commissioner may, in [his]
326 the commissioner's discretion and in addition to any other remedy
327 authorized by said sections, order that a fine not exceeding ten
328 thousand dollars per violation be imposed upon such person or
329 persons. If such person or persons fail to appear at the hearing, the
330 commissioner may, as the facts require, order that a fine not exceeding
331 ten thousand dollars per violation be imposed upon such person or
332 persons. The commissioner shall send a copy of any order issued
333 pursuant to this subsection by registered mail, return receipt
334 requested, or by any express delivery carrier that provides a dated
335 delivery receipt, to any person or persons named in such order.

336 (e) Whenever it appears to the commissioner that any person or
337 persons have violated, are violating or are about to violate any of the
338 provisions of sections 36b-2 to 36b-33, inclusive, as amended by this
339 act, or any regulation, rule or order adopted or issued under said
340 sections, or that the further sale or offer to sell securities would
341 constitute a violation of said sections or any such regulation, rule or
342 order, the commissioner may, in [his] the commissioner's discretion
343 and in addition to any other remedy authorized by this section: (1)
344 Bring an action in the superior court for the judicial district of Hartford
345 to enjoin the acts or practices and to enforce compliance with sections
346 36b-2 to 36b-33, inclusive, as amended by this act, or any such
347 regulation, rule or order. Upon a proper showing a permanent or
348 temporary injunction, restraining order or writ of mandamus shall be
349 granted and a receiver or conservator may be appointed for the
350 defendant or the defendant's assets. The court shall not require the
351 commissioner to post a bond; (2) seek a court order imposing a fine not
352 to exceed ten thousand dollars per violation against any person found
353 to have violated any order issued by the commissioner; or (3) apply to
354 the superior court for the judicial district of Hartford for an order of
355 restitution whereby the defendants in such action shall be ordered to
356 make restitution of those sums shown by the commissioner to have

357 been obtained by them in violation of any of the provisions of sections
358 36b-2 to 36b-33, inclusive, as amended by this act, plus interest at the
359 rate set forth in section 37-3a. Such restitution shall, at the option of the
360 court, be payable to the receiver or conservator appointed pursuant to
361 this subsection, or directly to the persons whose assets were obtained
362 in violation of any provision of sections 36b-2 to 36b-33, inclusive, as
363 amended by this act.

364 (f) Any time after the issuance of an order or notice provided for in
365 subsection (a), (b) or (c) or subdivision (1) of subsection (d) of this
366 section, the commissioner may accept an agreement by any respondent
367 named in such order or notice to enter into a written consent order in
368 lieu of an adjudicative hearing. The acceptance of a consent order shall
369 be within the complete discretion of the commissioner. The consent
370 order provided for in this subsection shall contain (1) an express
371 waiver of the right to seek judicial review or otherwise challenge or
372 contest the validity of the order or notice; (2) a provision that the order
373 or notice may be used in construing the terms of the consent order; (3)
374 a statement that the consent order shall become final when issued; (4) a
375 specific assurance that none of the violations or dishonest or unethical
376 practices alleged in the order or notice shall occur in the future; (5)
377 such other terms and conditions as are necessary to further the
378 purposes and policies of sections 36b-2 to 36b-33, inclusive, as
379 amended by this act; (6) the signature of each of the individual
380 respondents evidencing such respondent's consent; and (7) the
381 signature of the commissioner or of the commissioner's authorized
382 representative.

383 Sec. 6. Subsection (b) of section 36b-72 of the general statutes is
384 repealed and the following is substituted in lieu thereof:

385 (b) (1) Whenever it appears to the commissioner that any person or
386 persons have violated any of the provisions of sections 36b-60 to 36b-
387 80, inclusive, or any regulation, rule or order adopted or issued under
388 said sections, the commissioner may send a notice to such person or
389 persons by certified mail, return receipt requested, or by any express

390 delivery carrier that provides a dated delivery receipt. Any such notice
391 shall include: (A) A reference to the title, chapter, regulation, rule or
392 order alleged to have been violated; (B) a short and plain statement of
393 the matter asserted or charged; (C) the maximum fine that may be
394 imposed for such violation; and (D) the time and place for the hearing.
395 Such hearing shall be fixed for a date not earlier than fourteen days
396 after the notice is mailed.

397 (2) The commissioner shall hold a hearing upon the charges made
398 unless such person or persons fail to appear at the hearing. Such
399 hearing shall be held in accordance with the provisions of chapter 54.
400 After the hearing if the commissioner finds that the person or persons
401 have violated any of the provisions of sections 36b-60 to 36b-80,
402 inclusive, or any regulation, rule or order adopted or issued under said
403 sections, the commissioner may, in [his] the commissioner's discretion
404 and in addition to any other remedy authorized by said sections, order
405 that a [civil penalty] fine not exceeding ten thousand dollars per
406 violation be imposed upon such person or persons. If such person or
407 persons fail to appear at the hearing, the commissioner may, as the
408 facts require, order that a [civil penalty] fine not exceeding ten
409 thousand dollars per violation be imposed upon such person or
410 persons. The commissioner shall send a copy of any order issued
411 pursuant to this subsection by certified mail, return receipt requested,
412 or by any express delivery carrier that provides a dated delivery
413 receipt, to any person or persons named in such order.

414 Sec. 7. Section 36b-33 of the general statutes is repealed and the
415 following is substituted in lieu thereof:

416 (a) Sections 36b-4, 36b-5, 36b-6, as amended by this act, 36b-16, 36b-
417 24 and 36b-29 apply to persons who sell or offer to sell when an offer
418 to sell is made in this state, or when an offer to buy is made and
419 accepted in this state.

420 (b) Sections 36b-4, 36b-5, 36b-6, as amended by this act, and 36b-24
421 apply to persons who buy or offer to buy when an offer to buy is made

422 in this state, or when an offer to sell is made and accepted in this state.

423 (c) For the purpose of this section, an offer to sell or to buy is made
424 in this state, whether or not either party is then present in this state,
425 when the offer originates from this state or is directed by the offeror to
426 this state and received at the place to which it is directed or at any post
427 office in this state in the case of a mailed offer.

428 (d) For the purpose of this section, an offer to buy or to sell is
429 accepted in this state when acceptance is communicated to the offeror
430 in this state and has not previously been communicated to the offeror,
431 orally or in writing, outside this state; and acceptance is communicated
432 to the offeror in this state, whether or not either party is then present in
433 this state, when the offeree directs it to the offeror in this state
434 reasonably believing the offeror to be in this state and it is received at
435 the place to which it is directed or any post office in this state in the
436 case of a mailed acceptance.

437 (e) An offer to sell or to buy is not made in this state when the
438 publisher circulates or there is circulated on [his] the publisher's behalf
439 in this state any bona fide newspaper or other publication of general,
440 regular, and paid circulation which is not published in this state, or
441 which is published in this state but has had more than two-thirds of its
442 circulation outside this state during the past twelve months, or a radio
443 or television program originating outside this state is received in this
444 state.

445 (f) Sections 36b-5, 36b-6, as amended by this act, and 36b-24, so far
446 as they apply to investment advisers and investment adviser agents,
447 apply when any act instrumental in effecting prohibited conduct is
448 done in this state, whether or not either party is then present in this
449 state.

450 (g) Every applicant for registration under sections 36b-2 to 36b-33,
451 inclusive, as amended by this act, every investment adviser exempt
452 under subsection (e) of section 36b-6, as amended by this act, and
453 every issuer, other than the United States, any state, Canada, any other

454 foreign government with which the United States currently maintains
455 diplomatic relations, or any issuer of covered securities under Section
456 18(b)(1) of the Securities Act of 1933, which proposes to offer a security
457 in this state through any person acting on an agency basis in the
458 common-law sense shall file with the commissioner, in such form as
459 [he] the commissioner by regulation prescribes, an irrevocable consent
460 appointing the commissioner or [his] the commissioner's successor in
461 office to be his or her attorney to receive service of any lawful process
462 in any noncriminal suit, action, or proceeding against him or her or his
463 or her successor executor or administrator which arises under sections
464 36b-2 to 36b-33, inclusive, as amended by this act, or any regulation or
465 order thereunder after the consent has been filed, with the same force
466 and validity as if served personally on the person filing the consent. A
467 person who has filed such a consent in connection with a previous
468 registration need not file another. Service may be made by leaving a
469 copy of the process in the office of the commissioner, but it is not
470 effective unless (1) the plaintiff, who may be the commissioner in a
471 suit, action, or proceeding instituted by him or her, forthwith sends
472 notice of the service and a copy of the process by registered mail,
473 return receipt requested, or by any express delivery carrier that
474 provides a dated delivery receipt, to the defendant or respondent at
475 [his] the defendant's or respondent's last address on file with the
476 commissioner, and (2) the plaintiff's affidavit of compliance with this
477 subsection is filed in the case on or before the return day of the
478 process, if any, or within such further time as the court allows.

479 (h) When any person, including any nonresident of this state,
480 engages in conduct prohibited or made actionable by sections 36b-2 to
481 36b-33, inclusive, as amended by this act, or any regulation or order
482 thereunder, and [he] such person has not filed a consent to service of
483 process under subsection (g) of this section and personal jurisdiction
484 over [him] such person cannot otherwise be obtained in this state, that
485 conduct shall be considered equivalent to [his] such person's
486 appointment of the commissioner or [his] the commissioner's successor
487 in office to be [his] such person's attorney to receive service of any

488 lawful process in any noncriminal suit, action, or proceeding against
489 [him] such person or [his] such person's successor executor or
490 administrator which grows out of that conduct and which is brought
491 under said sections or any regulation or order thereunder, with the
492 same force and validity as if served on [him] such person personally.
493 Service may be made by leaving a copy of the process in the office of
494 the commissioner, and it is not effective unless (1) the plaintiff, who
495 may be the commissioner in a suit, action, or proceeding instituted by
496 him or her, forthwith sends notice of the service and a copy of the
497 process by registered mail, return receipt requested, or by any express
498 delivery carrier that provides a dated delivery receipt, to the defendant
499 or respondent at [his] the defendant's or respondent's last known
500 address or takes other steps which are reasonably calculated to give
501 actual notice, and (2) the plaintiff's affidavit of compliance with this
502 subsection is filed in the case on or before the return day of the
503 process, if any, or within such further time as the court allows.

504 Sec. 8. Section 36b-62 of the general statutes is repealed and the
505 following is substituted in lieu thereof:

506 (a) Prior to the sale or offer for sale of a business opportunity the
507 seller shall register said business opportunity with the commissioner
508 by: (1) Filing a copy of the disclosure statement required by section
509 36b-63; (2) furnishing a bond in accordance with the provisions of
510 section 36b-64; (3) providing a sworn to and certified statement
511 containing the information required by section 36b-65; (4) providing
512 the commissioner in accordance with subsection (b) of this section with
513 an irrevocable consent appointing the commissioner or [his] the
514 commissioner's successor in office to be [his] such seller's attorney to
515 receive service of any lawful process in any noncriminal suit, action or
516 proceeding which arises under sections 36b-60 to 36b-80, inclusive, or
517 any regulation or order adopted or issued under the provisions of said
518 sections; and (5) submitting a nonrefundable registration fee of four
519 hundred dollars.

520 (b) Every seller proposing to sell or offer for sale a business

521 opportunity in this state or from this state through any person acting
522 on an agency basis as determined by reference to principles of
523 common law shall file with the commissioner, in such form as [he] the
524 commissioner by regulation or order prescribes, an irrevocable consent
525 appointing [said] the commissioner or [his] the commissioner's
526 successor in office to be [his] the seller's attorney to receive service of
527 any lawful process in any noncriminal suit, action or proceeding
528 against [him] the seller or [his] the seller's successor executor or
529 administrator which arises under sections 36b-60 to 36b-80, inclusive,
530 or any regulation or order adopted or issued under said sections after
531 the consent has been filed, with the same force and validity as if served
532 personally on the person filing the consent. Service may be made by
533 leaving a copy of the process in the office of the commissioner, but
534 such service shall not be effective unless (1) the plaintiff, who may be
535 the commissioner in a suit, action or proceeding instituted by him or
536 her, forthwith sends notice of the service and a copy of the process by
537 registered mail, return receipt requested, or by any express delivery
538 carrier that provides a dated delivery receipt, to the defendant or
539 respondent at [his] the defendant's or respondent's last address on file
540 with the commissioner, and (2) the plaintiff's affidavit of compliance
541 with this subsection is filed in the case on or before the return day of
542 the process, if any, or within such further time as the court allows.

543 (c) When any person, including any nonresident of this state,
544 engages in conduct prohibited or made actionable by sections 36b-60 to
545 36b-80, inclusive, or any regulation or order adopted or issued under
546 said sections, and [he] such person has not filed a consent to service of
547 process under subsection (b) of this section and personal jurisdiction
548 over [him] such person cannot otherwise be obtained in this state, that
549 conduct shall be considered equivalent to [his] such person's
550 appointment of the commissioner or [his] the commissioner's successor
551 in office to be [his] such person's attorney to receive service of any
552 lawful process in any noncriminal suit, action or proceeding against
553 [him] such person or [his] such person's successor executor or
554 administrator which grows out of that conduct and which is brought

555 under said sections or any regulation or order adopted or issued under
556 said sections, with the same force and validity as if served on [him]
557 such person personally. Service may be made by leaving a copy of the
558 process in the office of the commissioner, but such service shall not be
559 effective unless (1) the plaintiff, who may be the commissioner in a
560 suit, action or proceeding instituted by him or her, forthwith sends
561 notice of the service and a copy of the process by registered mail,
562 return receipt requested, or by any express delivery carrier that
563 provides a dated delivery receipt, to the defendant or respondent at
564 [his] the defendant's or respondent's last known address, and (2) the
565 plaintiff's affidavit of compliance with this subsection is filed in the
566 case on or before the return day of the process, if any, or within such
567 further time as the court allows.

568 (d) The registration of a business opportunity under this section
569 shall become effective on order of the commissioner.

570 (e) (1) When any business opportunities have been sold or offered
571 for sale without compliance with the registration provisions of sections
572 36b-60 to 36b-80, inclusive, the seller thereof may apply in writing on
573 forms designated by the commissioner for the postsale registration of
574 such business opportunities.

575 (2) A seller who seeks to register a business opportunity which has
576 been sold or offered for sale without compliance with the registration
577 provisions of sections 36b-60 to 36b-80, inclusive, shall submit the
578 following to the commissioner:

579 (A) The documents, information and registration fee required by
580 subsection (a) of this section;

581 (B) A single document, signed and sworn to by an executive officer
582 of the seller, which contains an explanatory statement and a statement
583 of nonprejudice;

584 (i) The explanatory statement shall include the following
585 information:

586 (aa) A statement that business opportunities were sold or offered for
587 sale without compliance with the registration provisions of sections
588 36b-60 to 36b-80, inclusive;

589 (bb) A statement that, to induce each purchaser-investor to whom a
590 business opportunity has been sold in violation of sections 36b-60 to
591 36b-80, inclusive, to sign the statement of nonprejudice, the document
592 is being prepared for presentation to that purchaser-investor;

593 (cc) A full and complete statement of the remedies provided to the
594 purchaser-investor under section 36b-74;

595 (dd) A statement containing any other material facts relating to the
596 sale or offer for sale of the unregistered business opportunities; and

597 (ee) The most recent balance sheet and income statement of the
598 seller.

599 (ii) The statement of nonprejudice shall provide:

600 (aa) That the purchaser-investor to whom a business opportunity
601 was sold without compliance with the registration provisions of
602 sections 36b-60 to 36b-80, inclusive, has read the explanatory
603 statement;

604 (bb) That the purchaser-investor to whom a business opportunity
605 was sold without compliance with the registration provisions of
606 sections 36b-60 to 36b-80, inclusive, is satisfied that he or she will not
607 be defrauded, damaged or prejudiced by the postsale registration of
608 the business opportunity; and

609 (cc) That each purchaser-investor to whom a business opportunity
610 has been sold without compliance with the registration provisions of
611 sections 36b-60 to 36b-80, inclusive, has not waived any of his or her
612 rights under said sections by signing the statement.

613 (3) The seller shall file the document containing both the
614 explanatory statement and the statement of nonprejudice with the

615 commissioner for review before the seller mails the document to each
616 purchaser-investor to whom an unregistered business opportunity has
617 been sold. The commissioner may object to the content of the
618 document but shall in no way pass upon its truthfulness. Following
619 review by the commissioner, the seller shall send the document by
620 certified mail, return receipt requested, to each purchaser-investor to
621 whom an unregistered business opportunity has been sold and shall
622 submit copies of all return receipts to the commissioner. The seller
623 shall certify that each purchaser-investor to whom an unregistered
624 business opportunity was sold has signed the document, and shall
625 return the signed documents to the commissioner. The seller shall also
626 furnish the commissioner with a list of the names, addresses and
627 telephone numbers of those purchaser-investors to whom business
628 opportunities have been sold without compliance with the registration
629 provisions of sections 36b-60 to 36b-80, inclusive, and the amount of
630 payment furnished by each purchaser-investor for the business
631 opportunity.

632 (4) If it appears to the commissioner that no person has been
633 defrauded, prejudiced or damaged by such noncompliance or sale and
634 that no persons will be defrauded, prejudiced or damaged by such
635 postsale registration, the commissioner may permit those business
636 opportunities to be registered upon the payment of fifty dollars plus
637 the fees prescribed in section 36b-65. Registration under the provisions
638 of this subsection shall not affect the prosecution of a violation of any
639 provision of sections 36b-60 to 36b-80, inclusive.

640 Sec. 9. Subdivision (1) of subsection (a) of section 36a-50 of the
641 general statutes is repealed and the following is substituted in lieu
642 thereof:

643 (a) (1) Whenever the commissioner finds as the result of an
644 investigation that any person has violated any provision of the general
645 statutes within the jurisdiction of the commissioner, or any regulation,
646 rule or order adopted or issued thereunder, the commissioner may
647 send a notice to such person by registered or certified mail, return

648 receipt requested, or by any express delivery carrier that provides a
649 dated delivery receipt. The notice shall be deemed received by the
650 person on the earlier of the date of actual receipt or seven days after
651 mailing or sending. Any such notice shall include: (A) A statement of
652 the time, place, and nature of the hearing; (B) a statement of the legal
653 authority and jurisdiction under which the hearing is to be held; (C) a
654 reference to the particular sections of the general statutes, regulations,
655 rules or orders alleged to have been violated; (D) a short and plain
656 statement of the matters asserted; (E) the maximum penalty that may
657 be imposed for such violation; and (F) a statement indicating that such
658 person may file a written request for a hearing on the matters asserted
659 within fourteen days of receipt of the notice.

660 Sec. 10. Subsection (a) of section 36a-51 of the general statutes is
661 repealed and the following is substituted in lieu thereof:

662 (a) The commissioner may suspend, revoke or refuse to renew any
663 license issued by the commissioner under any provision of the general
664 statutes by sending a notice to the licensee by registered or certified
665 mail, return receipt requested, or by any express delivery carrier that
666 provides a dated delivery receipt. The notice shall be deemed received
667 by the licensee on the earlier of the date of actual receipt or seven days
668 after mailing or sending. Any such notice shall include: (1) A statement
669 of the time, place, and nature of the hearing; (2) a statement of the legal
670 authority and jurisdiction under which the hearing is to be held; (3) a
671 reference to the particular sections of the general statutes, regulations,
672 rules or orders involved; (4) a short and plain statement of the matters
673 asserted; and (5) a statement indicating that the licensee may file a
674 written request for a hearing on the matters asserted within fourteen
675 days of receipt of the notice.

676 Sec. 11. Subsection (a) of section 36a-52 of the general statutes is
677 repealed and the following is substituted in lieu thereof:

678 (a) Whenever it appears to the commissioner that any person has
679 violated, is violating or is about to violate any provision of the general

680 statutes within the jurisdiction of the commissioner, or any regulation,
681 rule, or order adopted or issued thereunder, the commissioner may
682 send a notice to such person by registered or certified mail, return
683 receipt requested, or by any express delivery carrier that provides a
684 dated delivery receipt. The notice shall be deemed received by the
685 person on the earlier of the date of actual receipt, or seven days after
686 mailing or sending. Any such notice shall include: (1) A statement of
687 the time, place, and nature of the hearing; (2) a statement of the legal
688 authority and jurisdiction under which the hearing is to be held; (3) a
689 reference to the particular sections of the general statutes, regulations,
690 rules or orders alleged to have been violated; (4) a short and plain
691 statement of the matters asserted; and (5) a statement indicating that
692 such person may file a written request for a hearing on the matters
693 asserted within fourteen days of receipt of the notice. If a hearing is
694 requested within the time specified in the notice, the commissioner
695 shall hold a hearing upon the matters asserted in the notice, unless the
696 person fails to appear at the hearing. After the hearing, the
697 commissioner shall determine whether an order to cease and desist
698 should be issued against the person named in the notice. If the person
699 does not request a hearing within the time specified in the notice or
700 fails to appear at the hearing, the commissioner shall issue an order to
701 cease and desist against the person. No such order shall be issued
702 except in accordance with the provisions of chapter 54.

703 Sec. 12. Subsection (a) of section 36a-53 of the general statutes is
704 repealed and the following is substituted in lieu thereof:

705 (a) Whenever the commissioner finds as the result of an
706 investigation that any officer or director of any Connecticut bank or
707 Connecticut credit union (1) has violated or is violating any provision
708 of the general statutes within the jurisdiction of the commissioner, or
709 any regulation, rule or order adopted or issued thereunder, or any
710 condition imposed in writing by the commissioner, (2) has breached or
711 is breaching any written agreement with the commissioner, (3) has
712 engaged or participated in or is engaging or participating in any
713 unsafe or unsound practice in connection with any bank, Connecticut

714 credit union or federal credit union, (4) has been or is charged in any
715 information, indictment or complaint with the commission of or
716 participation in a crime which is punishable by imprisonment for a
717 term exceeding one year under state or federal law, and continued
718 service or participation by such officer or director may pose a threat to
719 the interests of depositors or members, or threatens to impair public
720 confidence in any bank, Connecticut credit union or federal credit
721 union, (5) has used or is using such officer's or director's official
722 position in a manner contrary to the interest of any bank, Connecticut
723 credit union or federal credit union or its depositors or members, or (6)
724 has been or is negligent in the performance of such officer's or
725 director's duties, after having been warned in writing by the
726 commissioner to discontinue any such continuing delinquency, the
727 commissioner may send notice to such officer or director by registered
728 or certified mail, return receipt requested, or by any express delivery
729 carrier that provides a dated delivery receipt. The notice shall be
730 deemed received by the officer or director on the earlier of the date of
731 actual receipt or seven days after mailing or sending. Any such notice
732 shall include: (A) A statement of the time, place and nature of the
733 hearing; (B) a statement of the legal authority and jurisdiction under
734 which the hearing is to be held; (C) a reference to the particular
735 sections of the general statutes, regulations, rules or orders alleged to
736 have been violated; (D) a short and plain statement of the matters
737 asserted; and (E) a statement indicating that such officer or director
738 may file a written request for a hearing on the matters asserted within
739 fourteen days of receipt of the notice. If a hearing is requested within
740 the time specified in the notice, the commissioner shall hold a hearing
741 upon the matters asserted in the notice unless such officer or director
742 fails to appear at the hearing. After the hearing, if the commissioner
743 finds that any of the grounds set forth in subdivisions (1) to (6),
744 inclusive, of this subsection exist with respect to such officer or
745 director, the commissioner shall order the removal of such officer or
746 director from office and from any participation in the management of
747 the Connecticut bank or Connecticut credit union. If such officer or
748 director fails to appear at the hearing, the commissioner shall order the

749 removal of such officer or director from office and from any
750 participation in the management of the Connecticut bank or
751 Connecticut credit union. If the commissioner finds that the protection
752 of the Connecticut bank or Connecticut credit union or the interest of
753 its depositors or members requires immediate action, the
754 commissioner may suspend any such officer or director from office
755 and from further participation in the management of the Connecticut
756 bank or Connecticut credit union, by incorporating a finding to that
757 effect in such notice. The suspension or prohibition shall become
758 effective upon receipt of such notice and, unless stayed by a court,
759 shall remain in effect until the entry of a permanent order or the
760 dismissal of the matters asserted.

761 Sec. 13. Subdivision (1) of subsection (h) of section 36a-428n of the
762 general statutes is repealed and the following is substituted in lieu
763 thereof:

764 (h) (1) The commissioner shall, after taking possession of the
765 business and property in this state of a foreign bank, cause to be
766 mailed or sent to each person claiming to be, or appearing upon the
767 books of such foreign bank to be (A) the owner of any personal
768 property in the custody or possession of such foreign bank as bailee or
769 depositary for hire or otherwise, including securities, whether held in
770 custody directly or in book-entry form by such foreign bank, its
771 nominee, subcustodian, clearing corporation or similar entity, and the
772 contents of any safe, vault or box opened for nonpayment of rental in
773 accordance with the provisions of this subsection, or (B) the lessee of
774 any safe, vault or box, a notice in writing sent by registered mail,
775 return receipt requested, or by any express delivery carrier that
776 provides a dated delivery receipt, to such person at such person's last
777 address as it appears on the books of such foreign bank or at such
778 person's last known address if no address appears on such books,
779 notifying such person to remove all such property or the contents of
780 any such safe, vault or box, within a period stated in such notice,
781 which period shall be not less than sixty days from the date of such
782 notice, and further notifying such person of the terms and provisions

783 of this subsection and any regulations that may be adopted under this
784 section by the commissioner pursuant to chapter 54. The contract of
785 bailment or of deposit for hire, or the lease of such safe, vault or box, if
786 any, between the person to whom such notice is mailed and such
787 foreign bank shall terminate upon the date for removal fixed in such
788 notice. Such person shall have a claim against such foreign bank for the
789 amount of unearned rent or charges, if any, paid by such person from
790 the date fixed in such notice if the property or contents are removed on
791 or before such date, or from the date of actual removal if the property
792 or contents are removed after such date.

793 Sec. 14. Section 36a-718 of the general statutes is repealed and the
794 following is substituted in lieu thereof:

795 If the commissioner determines that any mortgage servicing
796 company has violated any provision of section 36a-716, the
797 commissioner may, in accordance with section 36a-52, as amended by
798 this act, order the mortgage servicing company to cease and desist
799 from such violation. The commissioner may also order the mortgage
800 servicing company to make restitution to the mortgagor upon fourteen
801 days notice in writing. Such notice shall be sent by certified mail,
802 return receipt requested, or by any express delivery carrier that
803 provides a dated delivery receipt, to the principal place of business of
804 the mortgage servicing company and shall state the grounds for the
805 contemplated action. Within fourteen days of receipt of the notice, the
806 mortgage servicing company may file a written request for a hearing.
807 If a hearing is requested, the commissioner shall not issue an order to
808 make restitution until after such hearing is held. Such hearing shall be
809 conducted in accordance with the provisions of chapter 54.

Statement of Legislative Commissioners:

Language in section 2 and section 5(d)(2) was made gender neutral.
Brackets were removed around "or" in section 5(f) to comply with rules
of grammar.

<i>BA</i>	<i>JOINT FAVORABLE C/R</i>	JUD
<i>JUD</i>	<i>JOINT FAVORABLE SUBST.-LCO</i>	